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FM AMEMBASSY BANGKOK

TO RUEHC/SECSTATE WASHDC IMMEDIATE 6318
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 6832
RUEHBY/AMEMBASSY CANBERRA PRIORITY 9489
RUEHKO/AMEMBASSY TOKYO PRIORITY 1438
RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 6282
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY

UNCLAS BANGKOK 000593

SIPDIS

STATE FOR EAP/MLS, EAP/RSP AND EEB
STATE PASS TO USTR
TREASURY FOR OASIA
COMMERCE FOR EAP/MAC/OKSA
SINGAPORE FOR FINATT BAKER

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [ETRD](#) [TH](#)

SUBJECT: THAI GOVERNMENT SAYS NO TO AUTO AND TOURISM
BAILOUTS

REF: A. BANGKOK 3490 (AUTO INDUSTRY IN THAILAND)
[1B](#). BANGKOK 3519 (THAILAND: ECONOMY SUFFERS)
[1C](#). BANGKOK 384 (ADDITIONAL THAI GOVERNMENT MEASURES)
[1D](#). BANGKOK 175 (THAILAND'S ECONOMIC STIMULUS)

[11](#). (SBU) Summary: The Cabinet recently rejected proposed "bailouts" of the auto and tourism industries, two of the most visible sectors hardest hit by the economic crisis. Both assistance proposals involved tax or excise cuts, along with other measures. Royal Thai Government officials say that simply lowering taxes will not necessarily stimulate demand and that assisting automakers and tourism operators would invite criticism from other business sectors that the government is playing favorites. Ministry of Finance officials state they are considering broader financial assistance packages that will assist all industries.

[12](#). (SBU) Comment: The auto package would have been very welcome to General Motors, whose operations here are struggling for working capital, as well as sales, as the bailout packages in the U.S. restrict Detroit's ability to move money to its overseas operations. (A senior General Motors official told the Embassy that the company would continue to work with the RTG to seek loans from private or quasi-private banks.) Japanese companies would have benefited as well from the auto package. By nixing both packages, the RTG may also be seeking to insulate itself from charges of protectionism.

[13](#). (SBU) The Thai auto industry has been suffering since the last quarter of 2008 (see ref A). Automakers and auto parts suppliers, including Japanese carmakers and General Motors, have been negotiating with the RTG over the last several weeks for a "bailout" primarily in the form of a 3 percent cut in excise taxes along with other incentives for consumers. Eventually, the Ministry of Finance (MOF) rejected assistance on two grounds. First, according to MOF officials, cutting the excise tax would not stimulate car buying because the underlying problem was consumers not having enough disposable income for major purchases. Second, the RTG could not be seen to be favoring one industry over another.

[14](#). (SBU) Meanwhile, the tourism sector, saddled with both a faltering economy and a shutdown of the international airport by protesters in December, expects tourism to drop as much as

fifteen percent this year (see ref B). Media reports indicate that tourism operators proposed relief measures including reimbursement for expenses suffered as a result of the airport closures and corporate tax relief. MOF officials told the Embassy this package was also rejected largely on the basis that it would not bring more tourists into Thailand and because the RTG could not assist one industry at the expense of another.

15. (U) According to public statements and press reports, MOF officials claim that a variety of proposals will be considered that will aid all industries without singling out any specific sector. These measures could include broad tax relief, loans, and other forms of assistance. MOF could not give a specific timeframe for when these measures would be taken up. MOF also stresses that financial stimulus packages have already been approved by the cabinet (see refs C and D).
JOHN